



Public Affairs Section • United States Embassy • Vienna,
Austria

FACT SHEET: **Summary of U.S. Proposal for Trade Reform**

The U.S. proposal (July 2002) for the WTO agriculture negotiations fulfills the mandate for the Doha Development Agenda, in which WTO Members agreed to "comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support." This proposal, which builds on the framework of the U.S. proposal from June 2000, specifies ambitious reform goals and reduction commitments.

The proposal outlines a two-phase process for trade reform. The first phase eliminates export subsidies and reduces worldwide tariffs and trade-distorting domestic support over a 5-year period. This would be accomplished by harmonizing tariffs and trade-distorting domestic support at substantially lower levels than what is currently allowed. The second phase is the eventual elimination of all tariffs and trade-distorting support by a date to be established in these negotiations.

The U.S. Proposal:

- demonstrates leadership by providing a clear, specific, and feasible approach to fulfilling the mandate of the Doha Development Agenda.
- is comprehensive, addressing trade-distorting policies in market access, export competition, and domestic support covering all products and all trading partners.
- expands opportunities for growth in global agricultural trade.
- is equitable, resulting in all trade-distorting measures being reduced to similar levels, narrowing the wide inequities that exist between countries.
- results in effective reform by reducing high levels of trade-distorting support and protection.
- simplifies world trade rules for agriculture by eliminating complicated customs and tariff procedures and streamlining domestic support commitments.
- is ambitious, calling for the eventual elimination of trade-distorting measures that affect world agricultural trade.

Benediction:

The United States proposal rests on three principles: 1) Leveling the playing field, 2) Working toward eliminating barriers to trade, and 3) Growing the market.

Key Elements of the U.S. Proposal:

- **Market Access**
 - reduces tariffs, both out-of-quota and tariff only, using a formula approach which cuts high tariffs more than low tariffs, with no tariff greater than 25 percent;
 - eliminates all in-quota tariffs;
 - expands tariff-rate quota quantities by 20 percent;
 - strengthens disciplines on tariff-rate quota administration;
 - eliminates monopoly import control of state trading enterprises;
 - eliminates the Special Agricultural Safeguard;
 - promotes sectoral initiatives.
- **Domestic Support**
 - simplifies domestic support disciplines, ending "blue box" exception;
 - reduces ceilings of allowed levels of trade-distorting domestic support to 5 percent of a country's total value of agriculture production;
 - maintains the de minimis provisions;
 - maintains the green box provisions;
 - promotes sectoral initiatives.
- **Export Competition**
 - eliminates direct export subsidies;
 - eliminates the monopoly control and special financial privileges extended to state trading enterprises;
 - strengthens disciplines on all countries' export credit programs;
 - strengthens disciplines on export taxes.

This proposal, which has bipartisan support in the U.S. Congress and broad support from U.S. agriculture, shows that the United States is fully engaged in the WTO negotiations and continuing our leadership for reform.

We look forward to similarly ambitious proposals from other countries, particularly from those with high tariffs, extensive use of export subsidies, high levels of trade distorting support and state trading enterprises.

Developing Countries:

- The United States has heard the calls of developing countries in these negotiations. We understand that countries cannot reduce tariffs unless rich countries also reduce trade-distorting support. This is why we believe it is so important to negotiate a comprehensive package that addresses distortion in all three areas of market access, domestic support, and export subsidies.
- We share many interests with developing countries in these negotiations, and these proposals will yield many benefits for farmers in developed and developing countries alike.
- Elimination of export subsidies, which developing countries do not use and cannot afford, will get rid of unfair competition from rich country exporters.
- Continuation of export credit and food aid programs will ensure a safety net remains for countries with financing difficulties or the inability to provide adequate food for their people.
- Reducing trade-distorting domestic support, which developing countries use only sparingly if at all, will improve the competitive situation of producers in developing countries.
- Moreover, we are open to discussion on identifying specific support programs oriented towards subsistence, resource poor and low-income farmers as exempt from subsidy limits.
- Developing countries will benefit from tariff reductions, particularly the focus on reducing high tariffs, because it will open new markets for their products in both developed and developing country markets.